

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 AID-05 EB-08
CIEP-01 TRSE-00 STR-04 OMB-01 CEA-01 COME-00 FRB-03
XMB-02 OPIC-03 LAB-04 SIL-01 NSCE-00 SSO-00 USIE-00
INRE-00 /083 W

-----120027Z 016232 /70

O 112330Z FEB 77

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 290

INFO TREASURY WASHDC IMMEDIATE

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EO 11652: NA

TAGS: EFIN,MX

SUBJECT: PRESIDENTIAL VISIT: JLP COMMENTS TO BUSINESS INTERNATIONAL

REF MEXICO 1384

1. SUMMARY: LOPEZ PORTILLO TOLD BUSINESS INTERNATIONAL THAT MEXICO WELCOMED FOREIGN INVESTMENT ACCORDING TO ITS WELL-KNOWN RULES AND THAT THE SOLUTION TO MEXICO'S INFLATION PROBLEM WAS THROUGH INCREASED PRODUCTION FOR WHICH HE NEEDS FINANCING. END SUMMARY.

2. BUSINESS INTERNATIONAL GROUP HEADED BY ORVILLE FREEMAN MET WITH LOPEZ PORTILLO ON FEB. 10. MEETINGS OF THIS GROUP ARE TRADITIONALLY OFF-THE-RECORD AND PRIVATE. GROUP WAS TAKEN ABACK BY PRESENCE OF PRESS AND FREEMAN REPORTEDLY HAD TO TONE DOWN HIS REMARKS. JLP'S OPENING MEETING TO PRESS ATTENDANCE MAY MEAN HE WANTED HIS REMARKS TO REACH WASHINGTON AND MEXICAN PUBLIC. MEETING GIVEN WIDE PUBLICITY IN FEB. 11 PRESS.

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3. FREEMAN OPENED MEETING BY SAYING HE HAD RECENTLY MET WITH PRESIDENT CARTER WHO WAS LOOKING FORWARD TO JLP'S TRIP. HE THEN QUERIED HOW GOM WOULD DEAL WITH INFLATION AND THE GOM ATTITUDE TOWARD FOREIGN INVESTMENT.

4. JLP CONCENTRATED ON THE FORMER. HE SPOKE EXTEMPORANEOUSLY. FOLLOWING ARE HIS MOST PERTIENT

REMARKS AS CARRIED IN EXCELSIOR TEXT. "FOR SOME TIME, RECOGNIZING THE VIRULENT INFLATIONARY PROCESS, WE HAVE ESTABLISHED CERTAIN POLICIES WITH WHICH SUPPORT WE ARE REALIZING A NATIONAL PLAN THAT SUPPORTS A FUNDAMENTAL IDEA. INFLATIONARY PRESSURES CAN BE ALLEVIATED IN TWO WAYS: BY REDUCING DEMAND OR IN INCREASING SUPPLY. SOMETIMES IT IS NECESSARY TO ACT IN BOTH WAYS, BUT IN A COUNTRY WITH PERENNIAL NEEDS SUCH AS OURS, IN WHICH THE DEMAND IS OCCASIONALLY AT MINIMUM SUBSISTENCE LEVELS, THE SOLUTION TO THE INFLATIONARY PROBLEM, IF WE WANT TO BE DEFINITIVE, MUST BE ORIENTATED TOWARD PRODUCTION BEFORE REDUCING DEMAND WHICH WOULD VERY OFTEN LEAD TO SOCIAL PROBLEMS; BUT IT IS NATURAL THAT IN ORDER TO MAKE USE OF OUR RESOURCES, WE HAVE FINANCING PROBLEMS. THEREFORE IN THE LIGHT AGAINST THE INFLATIONARY PROCESS, WE ARE ATTEMPTING AS THE FUNDAMENTAL ISSUE TO RESOLVE THE PROBLEM THAT WHICH I HAVE CALLED THE 'FINANCIAL TRAP'".

5. REGARDING PETROLEUM, JLP SAID THAT THIS COULD SOLVE MANY OF MEXICO'S EXPORTING PROBLEMS, BUT THAT "TO INCREASE EXPORTS, WE NEED TO IMPORT EQUIPMENT AND FOR THIS WE NEED FINANCIAL RESOURCES." AS PEMEX IS A GOVERNMENT ENTITY, ITS BORROWING IMPACTS ON THE PUBLIC SECTOR DEFICIT AND ITS SPENDING INCREASES INFLATIONARY PRESSURES, WITH THE RIGHT THAT, HE SAID, "WE HAVE AN ABSURD VICIOUS CIRCLE THAT IS TRULY A TRAP FROM WHICH WE ARE TRYING TO ESCAPE WITH A SERIES OF MEASURES, BOTH ECONOMIC AND SOCIAL."
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6. NOTING THE NEED IN THIS CONTEXT, JLP MOVED TO THE SUBJECT OF FOREIGN DIRECT INVESTMENT, WHICH HE SAID MEXICO NEEDED TO MAKE USE OF TECHNOLOGY, MARKETS AND FOREIGN FINANCING. HE SAID MEXICO HAD SEEN AN EPOCH WHERE FOREIGN DIRECT INVESTMENT TOOK MORE FROM THE COUNTRY THAN IT GAVE, CALLING THIS "BAD BUSINESS".

7. JLP SAID THE FOREIGN INVESTMENT LAW WAS NOT ALWAYS UNDERSTOOD, BUT CLEARLY SPELLS OUT THE RULES OF THE GAME. "THE CARDS ARE ON THE TABLE", HE SAID. HE ALSO AID THE FOREIGN INVESTMENT COMMISSION COULD MAKE SOME MUTUALLY ADVANTAGEOUS ADJUSTMENTS WITH THE BASIC PRINCIPLES BEING: "RESPECT FOR THE LAW, LOOK FOR EQUILIBRIUM, DO GOOD BUSINESS FOR ALL, RUN RUSKS, UNDERSTAND THINGS WITHOUT LOOKING FOR INCONVENIENT ADVANTAGES THAT ARE NOT FOR EVERYBODY". HE WENT ON TO DESCRIBE EQUILIBRIUM AS THE SECRET OF PEACE AND

GOOD BUSINESS, WHICH IS TO THINK FOR THE LONG TERM.

8. COMMENT: JLP SEEMS TO BE SENDING A MESSAGE THAT HE DOES NOT WANT TO LIVE WITHIN THE CONFINES OF THE PROGRAM AGREED UPON WITH THE IMF, AND THAT OBTAINING ADDITIONAL FINANCIAL RESOURCES TO PERMIT HIM TO PURSUE EXPANSIONARY POLICIES WILL HAVE SOME PRIORITY IN HIS U.S. DISCUSSIONS.

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XMB-02 OPIC-03 LAB-04 SIL-01 NSCE-00 SSO-00 USIE-00
INRE-00 /083 W

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INFO TREASURY WASHDC IMMEDIATE

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9. WE BELIEVE THAT JLP ENVISAGES NO CHANGES IN THE FOREIGN INVESTMENT LAW OR THE RECENT LAW GOVERNING PATENTS AND TRADEMARKS, AND THAT THESE WERE THE "RULES" BY WHICH BUSINESS WOULD HAVE TO BE CONDUCTED IN MEXICO. HOWEVER, HE SOFTENED THE IMPRESSION BY REFERRING TO THE OPERATIONS OF "A COMMISSION (PRESUMABLY THE INVESTMENT COMMISSION) WHICH COULD MAKE "ADJUSTMENTS TO MUTUAL ADVANTAGES". WE DOUBT THAT THIS IS GOING TO BE SATISFACTORY IN ACCELERATING FOREIGN INVESTMENT COMING AS IT WOULD FROM COUNTRIES WHERE THE LAWS CANNOT BE SO READILY RE-INTERPRETED.

10. LOPEZ PORTILLO MAY ALSO HAVE BEEN USING THE OCCASION TO GET A MESSAGE ACROSS TO THE MEXICAN PEOPLE THAT SOME FOREIGN INVOLVEMENT IN THE MEXICAN PETROLEUM MIGHT BE NECESSARY, ALTHOUGH HIS REPORTED TEXT IS OBSCURE ON THIS POINT, PROBABLY DELIBERATELY.

11. AS REGARDS OTHER MEETINGS THAT BUSINESS
INTERNATIONAL HAD WITH SENIOR GOM OFFICIALS, SEVERAL
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ATTENDEES HAVE EXPRESSED TO US THEIR DISAPPOINTMENT
WITH THE LACK OF ANY SPECIFICS ON GOM POLICIES.
KEY MINISTERS, TELLO AND DE OTEYZA, APPARENTLY GAVE
THE SAME LINE AS THE PRESIDENT ON INFLATION. ROMERO
KOLBECK DENIED PUBLICLY THAT INFLATION WAS A DOMESTIC
PROBLEM, BLAMING IT INSTEAD ON EXTERNAL FORCES. HE
DID SAY PRIVATELY TO A PARTICIPANT THAT HE HAD READ
THE RECENT STATEMENT BY U.K. PRIME MINISTER
DENOUNCING KEYNESIAN-INSPIRED POLICIES. DE OTEYZA
REPORTEDLY ASKED THE AMERICAN CHAMBER HERE FOR THEIR
VIEWS ON THE PATENTS AND TRADEMARKS LAW AS A NEW
REGULATION WAS FORTHCOMING.

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Message Attributes

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Disposition Date: 22 May 2009
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TAGS: EFIN, MX, BUSINESS INTERNATIONAL, (LOPEZ PORTILLO, JOSE)
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